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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

I. THE COMMUNIST BLOC

OK

Ambassador Thompson believes that the Kremlin has been encouraged by signs of Western disagreement to believe it can force a new heads-of-government meeting. He suggests that Moscow has become concerned over increased Western public interest in previous Soviet propaganda proposals for complete military withdrawal from Europe and is playing this concept down.

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Communist China, in its first move to support the bloc economic offensive in Yemen, has concluded trade and technical agreements with that country. Yemen will receive Chinese technicians, steel, and heavy machinery, to be paid from an interest-free Chinese Communist credit of the equivalent of \$16,400,000 in Swiss francs.

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OK

Communist China has offered to lend Indonesia \$20,000,000 for economic development. Premier Djuanda was unaware of President Sukarno's "almost private" negotiations for this loan until a few days ago, but early cabinet approval has been promised.

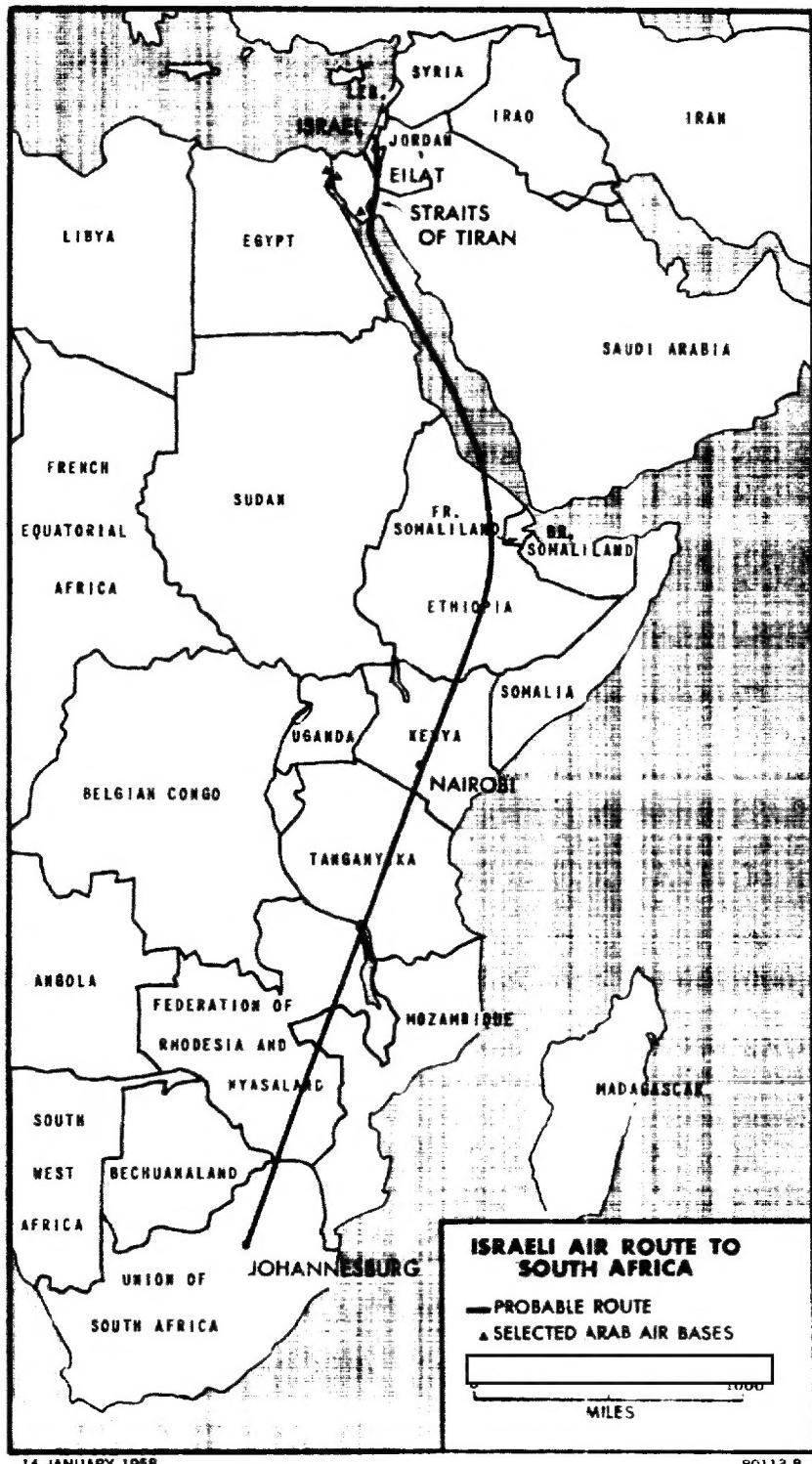
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About \$300,000,000 worth of Soviet gold was sold in Western markets last year--nearly three times the post-Stalin yearly average. The increase may have been motivated primarily by growing requirements for foreign exchange in connection with foreign trade expansion and loan commitments to the satellite countries. Gold sales in 1958 will probably also be substantial.

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II. ASIA-AFRICA



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Ghana plans to announce on 14 January its intention to establish diplomatic relations with the Soviet Union at some time in the future. Liberia may feel compelled to follow suit.

OK
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The election of leftist Saichi Kaneshi as mayor of Naha, Okinawa, on 12 January indicates strong dissatisfaction with the US administration and its policies. Leftist members of the Naha city assembly have sufficient votes to block a no-confidence vote against the new mayor.

OK

Prince Sihanouk's recent anti-Communist outburst in Cambodia was probably motivated by alarm over the increasing boldness of local Communists during his 4-month European vacation. On 4 January he made an anti-Western statement, and he has been careful to reiterate Cambodia's adherence to a policy of neutrality. The forthcoming parliamentary election campaign will show how far Sihanouk is willing to move against the Communists.

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The Israeli airline El Al has indicated it will resume flights from Israel to Johannesburg via Eilat, the Straits of Tiran, and Nairobi on 20 February. Resumption of this service with Israeli Constellations and Israeli crews, for the

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first time since October 1956, probably will arouse violent Saudi Arabian - Egyptian protests. Although there is no indication it plans to do so, Egypt possesses the capability to intercept these flights with MIG-type fighters from Suez Canal zone bases.

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III. THE WEST

No
Prime Minister Macmillan has set up an interdepartmental committee to study "disengagement in central Europe." The committee's preliminary views are that existing proposals are unworkable, but Macmillan may believe further British initiatives are called for to satisfy British public opinion.

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OK
Premier Gaillard intends to submit constitutional reform proposals immediately to the French National Assembly. The move may split his supporters in the assembly. Moreover, differences on Algeria among his assembly supporters may also be reopened as a result of changes made in the basic statute by the Council of the Republic.

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OK
Venezuelan President Perez announced on 13 January that he had taken charge of the Ministry of Defense to maintain armed forces unity, replacing General Fernandez, former armed forces chief of staff who was appointed to the post in the cabinet shake-up of 10 January. The move suggests that Fernandez was pressing his personal ambitions against the will of the ruling military and that the political crisis has not yet been resolved.

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Soviet Confidence Rising Over Prospects
For Summit Meeting

Ambassador Thompson in Moscow believes that Soviet leaders have been encouraged by recent signs of Western disagreement on East-West negotiations to believe they can force a new heads-of-government meeting. The Soviet Government apparently is striving for a summit meeting to reach generalized agreements with specific subjects left for subsequent discussion.

Thompson finds little in the current Soviet proposals which Moscow could expect the United States to accept as a basis for a summit discussion--with the possible exception of the Rapacki plan for a "nuclear-free zone." But he foresees the possibility of some new "concession" on disarmament by Moscow to secure Western agreement to such talks.

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Thompson feels that the Kremlin has become concerned over the increase in public interest in proposals for complete mutual withdrawal of military forces from Europe and is playing down the concept. Recent statements by Kennan and Moch have stimulated West European interest in "disengaging" the military commitments of the USSR and the US.

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Indonesian Official Confirms Communist China's
Offer of Loan

A Chinese Communist offer to lend Indonesia \$20,000,000 for economic development has been confirmed to the American Embassy by an official of the Indonesian Foreign Ministry. The official said it is likely the loan will be accepted and that a textile mill will be the first project.

He said arrangements had been handled almost on a "private" basis by President Sukarno and the Foreign Ministry since last September, and that Prime Minister Djuanda had not been informed of the negotiations until the last few days. Djuanda, however, apparently has promised early cabinet approval.

The official revealed that the anti-Dutch campaign was planned largely by Sukarno on the calculation that the Dutch would "return" West New Guinea rather than sacrifice their financial interests in Indonesia. He said Sukarno also assumed that the United States would quickly intercede to bring about a negotiated settlement. Thus, the government had no plan for a systematic take-over of Dutch interests, and it was only when both assumptions proved inaccurate that the government devised a makeshift plan for administering Dutch companies and estates. The decision to accept the Chinese loan was due, in large measure, to a desire to offset the serious economic dislocation caused by the anti-Dutch campaign.

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Leftist Wins Okinawa Mayoral Election

The election of leftist Saichi Kaneshi as mayor of Naha, Okinawa, on 12 January indicates that dissatisfaction with US administration and land policies continues to be widespread and that sentiment for reversion of the Ryukyu Islands to Japan is increasing. Kaneshi, who won by less than one thousand votes among the 70,000 cast, was more vociferous than his conservative-backed opponent in criticizing US policies. He is the second leftist to be elected Naha mayor in 13 months.

Although the new mayor is not considered a Communist, he had the support of ousted pro-Communist Mayor Kamejiro Senaga. Kaneshi has pledged himself to "fight American pressures," but he professes not to favor immediate withdrawal of American forces from Okinawa.

A no-confidence vote against Kaneshi by the Naha city assembly, similar to that which launched the procedure for Senaga's ouster, appears impossible because leftist members have sufficient votes to block its passage. An initial vote of no-confidence still requires a two-thirds quorum.

In Japan, the results of the election may stimulate greater criticism of the United States. Socialist exploitation of the Okinawan problem may force Prime Minister Kishi to press Japanese requests to participate in Okinawan affairs.

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Cambodian Leader's Anti-Communist Outburst

The recent anti-Communist outburst of Cambodia's political leader, Crown Prince Sihanouk, apparently reflects genuine concern over the increasing boldness of local Communists, particularly in their antigovernment propaganda. Sihanouk's public attack was directed essentially against internal Communism, and his denunciation of the local Communist party was undoubtedly designed to eliminate this sole remaining organized opposition to the ruling Sangkum party.

Although Sihanouk reiterated Cambodia's adherence to a strictly neutral foreign policy, his statements carried an undertone distinctly critical of the Communist bloc as a whole. Sihanouk has for some time indicated an increasing awareness of Cambodia's vulnerability to Communist subversion, particularly from North Vietnam.

The American Embassy in Phnom Penh reports that some Cambodian officials now are expressing stronger opposition to Communism, but questions how long this trend will continue. The unpredictable Sihanouk recently has also criticized the US aid program in Cambodia. The forthcoming parliamentary election campaign will show how far he is willing to go against the Communists.



SIHANOUK

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London Studying Disengagement in Central Europe

A British interdepartmental committee to study "disengagement in central Europe" was established by Prime Minister Macmillan before he left for his five-week Commonwealth tour on 7 January. The committee's preliminary views tend toward the conclusion that existing proposals such as the Rapacki plan are unworkable, but Macmillan may believe further British initiatives to ease East-West tensions are called for to satisfy British public opinion.

The committee's preliminary working paper stresses the disadvantages to the West of any "disengagement." It holds that a reunified neutral Germany would probably develop policies more independent of the West, and that this might lead to a re-emergence of German nationalism which would serve Soviet purposes. A Foreign Office official, while noting that prohibition of strategic ballistic missiles in Germany might be militarily acceptable, warned that such a suggestion would be politically dangerous inasmuch as Western public opinion might push the proposal without insisting on comparable Soviet concessions to the West.

The initial negative attitude toward "disengagement" comes from officials who tend to be the most cautious of the Soviet propaganda offensive. Macmillan's public proposal of a nonaggression pact overrode their objections. Except for the chairman, a Defense Ministry official, the members of the committee are all from the Foreign Office. The group has been instructed to approach the subject with "open minds" and "not make a case either way." Its work is to be completed in about two weeks.

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French Constitutional Reform Issue May Jeopardize Gaillard Government

French Premier Gaillard plans to propose constitutional reforms to the National Assembly immediately after it reconvenes on 14 January. He has threatened to call for a referendum as a last resort, but assembly approval remains doubtful, and the coalition may not survive a debate on the proposals. At the same time, the coalition could be strained if action by the Council of the Republic forced the assembly to reconsider the basic statute for Algeria. The right is lukewarm on constitutional reforms and essentially hostile to the Algerian basic statute, while the Socialists and Popular Republicans support both.

The proposed reforms would make it more difficult to overthrow a government and would also facilitate dissolution of the assembly. A "round-table" committee representing all nonextremist parties unanimously approved the reforms, but there are sharp divisions within the assembly on their main aspects. This split will be accentuated if, as seems likely, the deputies will have to reconsider the basic statute for Algeria because of amendments by the Council of the Republic.

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Mounting Unrest in Venezuela

Increasing military and civilian unrest in Venezuela indicates that the political crisis touched off by the 1-2 January revolt has not been resolved and that friction continues within the armed forces. President Perez announced on 13 January that he would take charge of the Defense Ministry, replacing General Fernandez, former armed forces chief of staff who assumed the post in the cabinet shake-up of 10 January. The move suggests that Fernandez may have been pressing his ambitions against the will of the military. The possibility also exists that Perez may be attempting to reassert his authority over the military, who are believed to have been responsible for the cabinet changes.

Mounting tension was noted in Caracas on 13 January, as troops patrolled the city and maintained a heavy guard at the presidential palace. Government ministries, [redacted]

[redacted] dismissed their employees in anticipation of trouble expected from military units in the city. Troops and police late on the 13th dispersed a large-scale antigovernment demonstration which was apparently intended as a follow-up to the 10 January public protest against Perez.

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Additional evidence of disunity among the armed forces now controlling the government may encourage more active civilian opposition and lead to further violence. Moreover, discontented military elements, including the followers of Fernandez and other discredited officers, might contest for power with the ruling group. [redacted]

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